

COMMISSIONERS
KRISTIN K. MAYES - Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP



ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman
Direct Line: (602) 542-4143
Fax: (602) 542-0765
E-mail: kmayes@azcc.gov

March 19, 2010

Re: Arizona Public Service Company ("APS") Application for Approval of a Distributed Energy Initiative: The Community Power Project – Flagstaff Pilot; Docket No. E-01345A-09-0227.

To the Parties to the Docket:

At the March 3, 2010 Open Meeting the Commission took public comment and then discussed APS' proposed Flagstaff Distributed Energy Pilot project. Many of the comments provided centered on APS' proposed sole ownership of the systems included in the pilot project.

Given the unique challenges associated with a pilot project, APS has argued that it is appropriate for the Company to have the ability to select the parameters of the project and maintain significant control over the methodology, technology and process of implementing the pilot, which has as one of its purposes proving up the assertion that distributed solar can lead to a reduction in costly utility infrastructure additions. I would tend to agree that it is important for most pilot projects to include appropriate controls and consistent development in order for the results to have meaning. Although I recognize that APS argues for its ability to retain control over the pilot project, I would like the Parties to respond to two alternative proposals to provide the Commission with a range of potential options in this case.

First, APS has identified a sample size of 200 for the overall Flagstaff pilot. I would like to know whether the Commission should consider an alternative arrangement, in which APS would retain sole control over 100 of the 200 systems while allowing third parties an opportunity to participate with respect to the balance of the systems, in accordance with APS' technological requirements.

Second, in lieu of splitting the project between APS and other installers, is there an opportunity for the Company to expand the project beyond the currently proposed 200 systems, such that APS would implement the Flagstaff Pilot program as proposed, with an appropriate number of additional systems on the same feeder dedicated to other installers like Sun Run?

Please provide the Commission with information regarding the technological and financial feasibility of both of these approaches, including the impact they would have on the funding that would be required for the pilot.

Parties to the Docket
March 19, 2010
Page 2

I look forward to reviewing answers to these questions and addressing these issues at an upcoming Commission Open Meeting.

Sincerely,

A handwritten signature in black ink, appearing to read "K. Mayes", written in a cursive style.

Kris Mayes
Chairman

Cc: Commissioner Gary Pierce
Commissioner Paul Newman
Commissioner Sandra Kennedy
Commissioner Bob Stump
Ernest Johnson
Steve Olea
Janice Alward
Rebecca Wilder